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MEMORANDUM

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TO: Docket Control  
Arizona Corporation Commission

FROM: Steve Olea  
Acting Director  
Utilities Division

Date: July 23, 2001

RE: CITIZENS COMMUNICATIONS COMPANY, AGUA FRIA DIVISION  
-APPLICATION FOR AN EXTENSION OF ITS CERTIFICATE OF  
CONVENIENCE AND NECESSITY (CC&N) TO PROVIDE WATER  
AND WASTEWATER SERVICE IN MARICOPA COUNTY,  
ARIZONA. (DOCKET NO. W-01032B-00-1043 AND SW-03454A-00-  
1043)

Attached is the Staff Report for the above referenced application. Staff is recommending approval of the application following a hearing.

Originator: Jim Fisher

Attachment: Original and Eleven Copies

Arizona Corporation Commission

DOCKETED

JUL 25 2001

DOCKETED BY

STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF CITIZENS COMMUNICATIONS  
COMPANY, AUGA FRIA DIVISION - APPLICATION FOR AN EXTENSION OF  
ITS CERTIFICATE OF CONVENIENCE AND NECESSITY (CC&N) TO PROVIDE  
WATER AND WASTEWATER SERVICE IN MARICOPA COUNTY, ARIZONA.

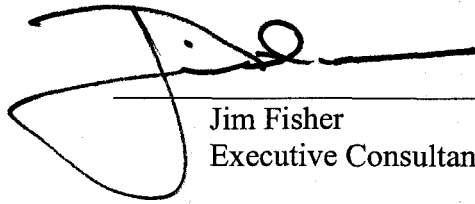
DOCKET NO. W-01032B-00-1043  
AND SW-03454A-00-1043

JULY 2001

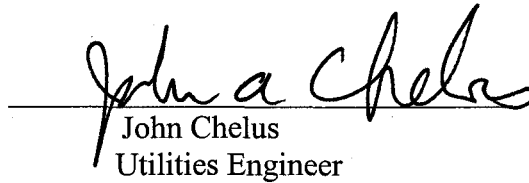
## STAFF ACKNOWLEDGEMENT

The Staff members designated below contributed elements of this Staff Report.

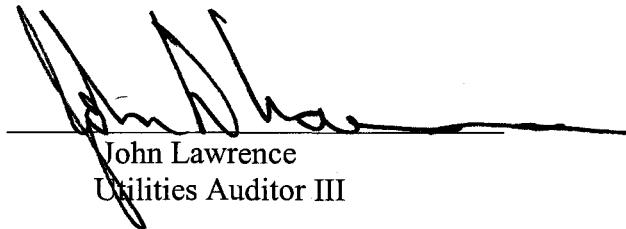
Contributing Staff:



Jim Fisher  
Executive Consultant II



John Chelus  
Utilities Engineer



John Lawrence  
Utilities Auditor III

*Introduction*

On December 20, 2000, Citizens Communications Company, Agua Fria Division ("Citizens") and Citizens Water Services Company of Arizona ("DistCo") submitted a joint Application for approval to extend their respective existing Certificates of Convenience and Necessity (CC&Ns) for water and wastewater service into an area described in Exhibit B of the Application. On May 9, 2001, Citizens and DistCo provided the Utilities Division staff ("Staff") with additional information on the development and their plans to serve it. On July 18, 2001, Citizens filed with Staff revised water and sewer Hook-Up Fee tariffs.

This Application reflects the continued development of an area known as Whitestone located adjacent to Citizens' and DistCo's existing CC&Ns by DMB White Tank, LLC, ("Developer" or "DMB"). DMB has requested that Citizens and DistCo provide public utility water and wastewater services to Whitestone. To serve the Whitestone Development, Citizens and DistCo propose to extend their water and wastewater CC&Ns to include the development area, which is immediately adjacent to Citizens' existing CC&Ns, and is not being served by another certified utility. The property is not adjacent to DistCo's CC&N. Staff has plotted the requested area and found no discrepancies.

Citizens, DistCo and DMB have entered into the Caterpillar Property Water/Wastewater Agreement ("Agreement"), under which DMB will construct the initial backbone facilities to serve the development, and advance them to Citizens and DistCo; then Citizens and DistCo will in turn refund the advances to DMB based on a fixed fee per service connection. The Agreement also calls for subsequent facilities to be funded in part through non-refundable Hook-up Fees to be paid by builders within the development.

By this Application, in association with the request to extend their CC&Ns, Citizens and DistCo also seek approval of: 1.) The Agreement; 2.) The Water Facilities Hook-up Fee tariff to be charged by Citizens; 3.) The tariff to be charged by Citizens for non-potable water service; and 4.) The tariff for Wastewater Facilities Hook-Up Fee to be charged by DistCo.

*Background – Citizens Communications Company*

Citizens Communications Company is a diversified public utility that provides telecommunications, electric, gas, water and wastewater to 1.9 million customers in 23 states, including Arizona. Citizens Communications Company is currently seeking regulatory approval of a transfer of the subject companies to Arizona-American Water Company. On April 24, 2001, in Decision No. 63584 the Commission provided Citizens Communications Company with its approval of the transfer.

The Commission has previously granted CC&Ns to Citizens Communications Company's operating divisions for water and wastewater services for portions of Maricopa, Mohave and Santa Cruz Counties.

*Background – DMB Whitestone*

DMB Whitestone will be an 8,800-acre Master Planned Community in west central Maricopa County. The property is currently within the Town of Buckeye corporate limits and is adjacent to and within the White Tank Mountains. Whitestone is generally located at the northwest corner of 203<sup>rd</sup> Avenue and McDowell Road, and the property rises more than 2,500 feet from an elevation of approximately 1,100 feet to 3,671 feet at the highest peak of the property. The White Tank Mountain Regional Park borders along the north, with State and BLM land also adjoining.

On September 30, 1999, Caterpillar and DMB entered into a Master Agreement for the joint development of the property known as Whitestone. On November 1, 2000, DMB, Citizens and DistCo entered into the Agreement, which governs the development of water and wastewater facilities to serve 8,635 acres of land owned by the Caterpillar foundation.

DMB and the City of Buckeye entered into a Pre-Annexation and Development Agreement on November 24, 1999. That agreement incorporates by reference the Community master Plan for the land, which entitles DMB to develop an approximate 14,080 residential dwelling units and approximately four million square feet of commercial and industrial use space on the land. In the Agreement, Citizens and DistCo have agreed with DMB to apply to Buckeye for a franchise, interim operating agreement, license, easement or other right to use the right-of-way within Buckeye. Staff recommends the Commission require Citizens and DistCo to file all related municipal agreements within 365 days of the decision.

Whitestone is planned to be developed in 7 phases, and is expected to have 10,633 Equivalent Residential Units, (ERUs) with the initial residential connection to be in the second half of 2003. It is anticipated that Whitestone will be built out in 15 years, by 2017. Under the Agreement, DMB has the responsibility to construct all required Phase 1 Off-Site Water and Wastewater Facilities and all phases of the On-Site Backbone Water and Wastewater Facilities. Subsequent to Phase 1, Citizens and DistCo will be required to construct all required Off-Site Water and Wastewater Facilities.

*Estimated Number of New Customers in the Requested Extension Area*

The estimated number of customers to be served with water and wastewater utility service at build out by Citizens and DistCo within the Extension Area is 9,589 residential units and 2,056 commercial equivalent units. Up to an additional 1,095 acres of turf and landscape will receive non-potable water service. All connections are defined as Equivalent Residential Units ("ERUs"). The Agreement defines an ERU as that portion

of a residential or commercial unit receiving Potable Water Services or Wastewater services from Citizens, and determines ERUs according to the following schedule:

<u>Type of Improvement</u>	<u>Associated ERU</u>
Single Family Homes	1.00
Multifamily Units	0.50
Commercial Units	4.00
Resorts (Per Room)	0.50
Park Acreage	0.00
Golf Courses	0.00
Right-of-way Landscaping	0.00

*Description of the Agreement*

*Citizens and DistCo Services to be Provided Under the Agreement*

Potable Water - Under the Agreement, Citizens will provide Potable Water Services as defined in the Agreement within the project, with rates and tariffs approved by the Commission, subject to the approved master plan, in sufficient quantities to meet the demand for Potable Water Services in accordance with the land use entitlements.

Non-Potable Water - Under the Agreement, Citizens will provide Non-Potable Water Services, as defined in the Agreement, within the project, with rates and tariffs approved by the Commission, subject to the approved master plan, in sufficient quantities to meet the demand for Non-Potable Water Services in accordance with the land use entitlements. DMB and Citizens have agreed on an initial rate to be charged by Citizens for Non-Potable Water Services within the Project of \$0.62 per 1,000 gallons of non-potable water. The tariff matches the rates and terms approved for the Citizens Anthem Project.

Wastewater Services - Under the Agreement, DistCo will provide Wastewater Services within the Project, with rates and tariffs approved by the Commission, subject to the approved master plan, in sufficient quantities to meet the demand for Wastewater Services in accordance with the land use entitlements.

Construction Water - Under the Agreement, all construction water provided by Citizens is to be metered and charged to Developer or other users. Citizens has the option to allow unmetered construction water. However, the Agreement provides that water will not be withdrawn from any facility without the prior consent of Citizens. The Agreement requires DMB to pay Citizens for Potable and Non-Potable construction water usage in accordance with approved rates and tariffs.

*Rights and Responsibilities of Citizens, DistCo and DMB under the Agreement*

Under the terms of the Agreement, DMB has agreed to prepare, revise and complete a comprehensive water and wastewater master plan for the Project consistent with the Agreement ("Master Plan"). The Master Plan will show the locations and sizing of all Phase I Off-Site Facilities and the location, and sizing of all phases of On-Site Backbone Facilities. The master Plan also requires DMB to evaluate and plan the location, sizing and phasing of Subsequent Off-Site Facilities located within Whitestone. The Agreement also requires the Master Plan to include an evaluation of expected wastewater treatment and disposal standards and a description of wastewater treatment technologies.

In the Agreement, Phase I Off-Site Facilities refers to the portion of the Off-Site Facilities to be constructed by DMB and required for Citizens and DistCo (collectively, the "Citizens Parties") to provide initial Water Services and Wastewater Services to the project, including sizing to accommodate future Water and Wastewater Services. Subsequent Off-Site Facilities refers to the portion of the Off-Site Facilities to be constructed by the Citizens Parties after completion of the Phase I Off-Site Facilities by DMB.

Under the Agreement, the Citizens Parties will review and approve the Master Plan prior to DMB beginning construction of any facilities. The Citizens Parties have agreed to provide comments in writing within 60 days of receiving the Master Plan. DMB provided a copy of the March 22, 2001 Master Plan to Staff on May 9, 2001.

Under the Agreement, after the Citizens Parties' approval of the Master Plan, DMB is to complete all engineering, construction plans and specifications necessary for construction of each phase of the Phase I Off-Site Facilities and the On-Site Backbone Facilities, in accordance with the Citizens Parties' specifications. DMB will then construct, or cause to be constructed for the future use of the Citizens Parties the Phase I Off-Site Facilities and all phases of the On-Site Backbone Facilities. DMB has agreed to oversize the facilities if requested by the Citizens Parties. The Agreement requires the incremental cost of such over-sizing to be reimbursed by the Citizens Parties.

The Agreement defines Off-Site Facilities as those facilities required for the production, treatment, transmission and storage of potable water and non-potable water. On-Site Backbone Facilities means all facilities located within the Project boundaries to be constructed by DMB and required for the Citizens Parties to transport potable or untreated wastewater between the On-Site Subdivision Facilities and the Off-Site Facilities and the non-potable water distribution system.

The Agreement defines On-Site Subdivision Facilities as all facilities located within the Whitestone boundaries excepting Off-site Facilities and On-Site Backbone Facilities, constructed by Builders and required for the Citizens Parties to provide Water Service or Wastewater Service to individual residential homes, commercial properties, schools, parks, churches or other improvements within the project.

Under the Agreement, DMB will be the master developer, with specific Builders required to enter into Line Extension Agreements with Citizens to extend services into the Builders' specific portion of their respective phase. Builders will enter into agreements with Citizens or DistCo as appropriate, for the construction and transfer to Citizens or DistCo of the phase the On-Site Subdivision Facilities serving the specific subdivision or commercial property and providing for payment of Builders' Fees, which are defined in the Agreement.

The Agreement requires DMB to submit a cash payment equal to Citizens' or DistCo's Tariff rate as an advance in aid of construction for all meter installations in a phase of construction to be connected directly to the On-Site Backbone Facilities.

DMB has agreed to provide notice through the recorded Declaration of Covenants, Conditions and Restrictions of the Project that every connection to the Facilities will require payment of Builders Fees to Citizens or DistCo, as appropriate. The Builders' Fees are due on the earlier of when the building permit is issued, when a meter is installed or when operational acceptance is issued for the water or wastewater facilities constructed to serve the area.

The Agreement requires DMB to obtain and convey to the Citizens Parties all easements, licenses and rights-of-way required for the Citizens Parties to provide water and wastewater services.

#### *Facilities Transfer to Citizens*

The Citizens Parties have agreed to inspect all construction of Phase I Off-Site Facilities and the On-Site Backbone Facilities within normal time frames requested by DMB. No facilities will be placed in service until that phase has been inspected by the Citizens Parties and the Citizens Parties have issued written acceptance of the facilities. The facilities must meet the following requirements: DMB has made all submittals and obtained all approvals required, the submittals are in accordance with the specifications and other requirements; DMB has completed construction of the phase, the phase has



been successfully tested and can be used for the intended purpose, and the construction is in accordance with approved plans and is necessary for the project.

Each phase of the Facilities will become the property of the Citizens Parties upon issuance by the Citizens Parties of an Operational Acceptance for that phase. The transfer of the Facilities occurs automatically by operation of the Agreement, without requirement of any written documentation to transfer the facilities to the Citizens Parties. DMB has agreed to promptly provide documentation requested by the Citizens Parties to evidence transfer of possession and title, free and clear of mechanics or similar liens or encumbrances.

The Agreement provides that promptly after Operational Acceptance of a Facility, DMB will convey to the Citizens Parties the underlying real property for Phase I Off-Site Facilities, and phases of subsequent Off-Site Facilities located within the Project.

Under the Agreement, all property conveyed to the Citizens Parties will be fee simple for the purchase price of \$20,000 per acre, plus \$600 per twelve-month period that has transpired after the anniversary of the last conveyance. No money will change hands, as the purchase price will be considered part of Developer's Advances, which are subject to refund under the Agreement.

For each phase of construction by DMB, DMB will submit, within 60 days of receiving Operational Acceptance of the Facilities in that phase, DMB's own invoice covering the cost of engineering and construction on behalf of DMB pertaining to the facilities. The total costs invoiced by DMB and accepted by the Citizens Parties will constitute the Developer's Advances subject to refund.

The Agreement requires DMB to submit to Citizens As-Built plans for all facilities constructed within 60 days of Operational Acceptance by Citizens.

DMB and the Citizens Parties have agreed that DMB may begin construction of any Phase I Off-Site Facilities, or On-Site Backbone Facilities before all approvals have been obtained, but any repair or alteration costs will be borne by DMB. DMB has agreed to obtain and pay for all permits, zoning, easements and approvals including environmental and facility permits.

The Agreement may be assigned by a Party to a parent corporation or other entity in which it has a controlling interest, provided that such party would be a guarantor of the full and faithful performance of the Agreement. The Citizens Parties may assign this Agreement to American Water Works Company, Inc., Arizona-American Water Company or any subsidiary thereof.

*Citizens Parties' Refunds of DMB Advances:*

Under the Agreement, the Citizens Parties have agreed to pay DMB refunds of its Advances as follows:

- 1.) Water refunds per ERU first taking permanent Potable Water Services during a six-month period ending June 30 or December 31 will be made not later than 30 days after the close of the period as follows:

ERU 1 through 1,500 - \$1,200	\$1,800,000
ERU 1,502 through 7,000 - \$1,500	\$8,247,000
All remaining ERUs - \$2,200	<u>\$7,990,400</u>
Total Water Refund Based on 10,633 ERUs-	\$18,037,400

- 2.) Refunds in the amount of 10% of the revenue derived from provision of the Non-Potable Water Services within the Project during each 12 month period, for the first 15 years of the Project.
- 3.) Wastewater refunds per ERU first taking permanent Wastewater Service during a six-month period ending June 30 or December 31 will be made not later than 30 days after close of the six-month period will be as follows:

ERU 1 through 1,500 - \$800	\$1,200,000
ERU 1,502 through 7,000 - \$1,100	\$6,047,800
All remaining ERUs - \$1,300	<u>\$4,721,600</u>
Total Wastewater Refund Based on 10,633 ERUs-	\$11,969,400

- 4.) In addition, a one time refund of \$1,000,000 will be made by the Citizens Parties not later than 30 days after the close of the calendar month in which the 100<sup>th</sup> single family residential home located in the Project first takes permanent Wastewater service.

Under the Agreement, the total amount of the refund will not exceed the total amount of the Developer's Advances.

*Construction of Future Facilities*

Under the Agreement, Citizens and DistCo will construct all Subsequent Off-Site Facilities required to provide Water Services and Wastewater Services to the Project in a timely manner to enable the utility to provide services when requested by DMB.

Under the agreement with DMB, Citizens will charge all builders working on the project a fee per Equivalent Residential Unit (ERU) within the Extension Area for the purpose of funding the construction costs for a portion of the water infrastructure (the "Water Facilities Hook-up Fee"). The Agreement provides that the initial Water Facilities Hook-up Fee will be \$1,500 per ERU for potable water service.

The Agreement also provides that DistCo will charge all builders working on the project a fee per ERU within the Extension Area for purposes of funding the construction costs for a portion of the wastewater infrastructure (the "Wastewater Facilities Hook-Up Fee").

#### *Project Facilities Fee*

Under the Agreement, DMB agrees to pay Citizens a Project Facilities Fee equal to the Hook-Up Fee for any period in which the Hook-Up Fee Tariff is approved by the Commission, but not in effect. DMB has agreed to make one payment of the Project Facilities Fee for all ERUs in a subdivision prior to Citizens setting meters. Citizens has agreed to use the Project Facilities Fee to fund construction of Subsequent Off-Site Facilities. All Project Facilities Fees will be a non-refundable contribution-in-aid of construction. The Project Facilities Fee is not applicable during any period in which a water Facilities Hook-Up Fee tariff is in effect.

#### Staff's Analysis and Recommendations

##### *The Utility Systems - Analysis*

The Master Potable Water Plan provided to Staff includes the development of proposed domestic groundwater wells, water treatment plant for surface and/or groundwater treatment (if necessary), water transmission lines, major distribution lines, booster pumping stations, pressure-reducing valves and water storage tanks.

There are currently no identified offsite service wells or water lines that could be extended to serve the project site. Accordingly, the development will be required to develop its own potable water supply and delivery system. Review of the available data indicates that the general overall groundwater quality in this well siting area is good, with the exception of elevated nitrate concentrations in several wells. The groundwater will be pumped from the well sites to the mixing facility to be located near the intersection of Indian School Road and the Tuhill Road alignment. In the event that the groundwater requires treatment, a water treatment plant will be constructed in lieu of the mixing tank.

The average water demand per single family residential unit is 480 gallons per day, (gpd), based on 160 gpd/capita times 3.0 per unit at densities of less than four units per acre.

The first well site is an existing well site, currently pumping 600 gallons per minute. A hydrology report and testing are underway. The second well site has been drilled to 920 feet with a 12-inch casing. Pressure zones have been established on the property to maintain a pressure range of 35-psi at 80 feet and 56 psi at 130 feet. Due to the slope of the property, 17 pressure zones will be created.

*Water Supply - Analysis*

On January 10, 2001, DMB applied to the Department of Water Resources for an Analysis of Assured Water Supply for Whitestone; indicating groundwater sources provide 995,925-acre feet/100 year volume.

The Master Plan represents that Southwest Groundwater Consultants completed a groundwater investigation for the project which identifies the anticipated production rates for new production wells at 1,000 to 1,500 gpm. Based on assumed long-term average production rate of 800 gallons per minute, the project will require the development of approximately (3) potable production wells for the Phase 1 maximum day flow of potable water plus supplemental golf course irrigation at full build-out. One of the three potable production wells is required to provide redundancy, should one of the wells be out of service. In addition, one effluent recovery well will be needed to optimize the utilization of effluent for golf course irrigation.

Citizens has not been designated as having an assured water supply pursuant to ARS 45-576(D). Until such time as Citizens has been designated, Developer, or associated Builder must seek and obtain Certificates of Assured Water Supply in accordance with ARS 45-576(A) as a prerequisite for subdividing and developing the property. Citizens will execute Notices of Intent to Serve as required by ADWR, and entering into such contracts as required by the Central Arizona Groundwater Replenishment District pursuant to ARS 48-3774(C) and 48-3772(B).

Citizens also plans to transport and treat CAP water to ensure proven water resources beyond those proven for DWR purposes. As such, far less ground water would be used to meet the needs of Whitestone.

*Central Arizona Project Hook-Up Fee - Analysis*

In 1985 Citizens entered into two CAP-water subcontracts. In 1995, Sun City Water purchased the municipal water system of the Town of Youngstown obtaining an additional CAP allocation, for a total of 17,654 acre-feet. In Decision No. 58750, the Commission approved a request by Sun City Water and Agua Fria for an accounting order for deferral of CAP water charges for possible future recovery. In Decision No. 60172 the Commission determined that Citizens' actions to obtain CAP allocation were prudent and allowed the Company to continue deferring CAP capital costs for future recovery when the CAP allocation has been put to beneficial use. On February 1, 2000, in Decision No. 62293, the Commission approved a Central Arizona Project tariff with certain conditions.

On February 2, 2001, the Commission in Decision No. 63334 approved a CAP Hook-Up Fee for the Agua Fria division of Citizens Communications, which subject to approval of the requested CC&N extension would include Whitestone. The approved CAP Hook-up Fees are \$127 for age-restricted dwellings, \$218 for conventional residential housing units, and \$127 per ERU for commercial buildings.

*Requested Hook-up Fees – Analysis*

Citizens and DistCo are requesting that the Commission approve a tariff allowing them to charge Builders a fee per ERU to fund the construction costs of Subsequent Off-Site Facilities. Citizens, as amended on July 23, 2001, is requesting an initial Hook-Up Fee of \$1,150 per ERU for Potable Water Service, and DistCo is requesting an initial Hook-Up Fee of \$750 per ERU for Wastewater Service.

Hook-Up Fees are Contributions in Aid of Construction, and therefore provide non-refundable capital to fund the construction of required facilities. Contributions in Aid of Construction are credited against the Company's invested capital to determine its rate base for ratemaking purposes. Staff believes the Hook-Up Fees to be in the public interest, as they will lower the cost of service to the end user.

The Commission has considered and approved Hook-Up Fees for other utilities. In Decision No. 60737, the Commission authorized Queen Creek Water Company a Hook-Up Tariff. On December 14, 2000, in Decision No. 63259 the Commission approved H2O, Inc.'s request for an Off-Site Capacity Reservation charge.

*Requested Hook-Up Fees - Recommendations*

Staff recommends that the Commission approve the Hook-Up Fees requested in this Application as amended on July 23, 2001, and that the Commission require the requested Hook-Up Fees to be treated as non-refundable contributions. Staff recommends that the Commission require all Hook-Up Fees collected under both the water and wastewater tariffs to be placed in separate interest bearing accounts to be used solely for the installation of backbone off-site water and wastewater facilities.

Staff further recommends that the Commission require Citizens and DistCo to file annual reports on the water and wastewater Hook-Up Fee accounts disclosing:

1. Name of each entity paying Hook-Up Fee;
2. Amount of Hook-Up Fee paid by each entity;
3. Description of utility plant constructed with Hook-Up Fee funds;
4. Balance of Hook-Up Fee account;
5. Interest earned on Hook-Up Fee account;
6. Any other pertinent information that may be required by Staff.

*Specific Recommendations on the Wastewater Facilities Hookup Fees*

For the wastewater Hook-Up Fee tariff, Staff agrees with Citizens and DistCo's ERU method, and recommends approval of Citizens' July 23, 2001, amended wastewater hookup fee tariff.

*Summary of Staff Recommendations:*

Staff recommends that the Commission approve the Caterpillar Property Water/Wastewater Agreement (the "Agreement") between Citizens, DistCo, and Developer, as modified below.

Staff recommends that the Commission approve the Agreement's tariff applicable to non-potable water service as amended by Citizens on July 23, 2001.

Staff recommends that the Commission approve the Agreement's July 23, 2001, amended Hook-up Fee tariff to be charged by Citizens for the Subsequent Water Facilities.

Staff recommends that the Commission approve the Agreement's July 23, 2001, amended Wastewater Facilities Hook-Up Fee tariff to be charged by Citizens for the Subsequent Wastewater Facilities.

Staff further recommends that the Commission require all Hook-Up Fees collected under the Tariffs as modified by Staff to be placed in separate interest bearing accounts and used only for the installation of backbone off-site facilities.

Staff further recommends that the Commission require Citizens and DistCo to file annual reports on the Hook-Up Fee accounts disclosing:

1. Name of each entity paying Hook-Up Fee;
2. Amount of Hook-Up Fee paid by each entity;
3. Description of utility plant constructed with Hook-Up Fee funds;
4. Balance of Hook-Up Fee account;
5. Interest earned on Hook-Up Fee account;
6. Any other pertinent information that may be required by Staff.

Staff also recommends that the Commission require the Hook-Up Fees to be non-refundable contributions.

Staff recommends that the Commission require Citizens and DistCo to charge their existing rates and charges, except for those specifically delineated below:

- 1.) Hook-Up Fees (Water and Wastewater)
- 2.) Non-Potable Water

Citizens Communications

Agua Fria Division & Citizens Water Services

Docket No. W-01032B-00-1043 et al.

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Staff further recommends that the Commission require Citizens to file all related municipal agreements within 365 days of the decision.

## EXHIBIT B

All of Section 24;

All of Section 25;

Township 1 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County,  
Arizona

That portion of Section 6, Township 1 North, Range 2 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona described as follows;

BEGINNING at the Northwest corner of said Section 6, said point also being the TRUE POINT OF BEGINNING;

thence along the North line of Section 6, N89°57'39"E, 2437.60 feet; thence S14°06'52"E, 206.19 feet; thence S00°04'51"E, 491.44 feet to a point on the Northerly right-of-way line of Interstate 10 and the beginning of a non-tangent curve; thence westerly along said curve having a radius of 11602.57 feet, concave Southerly, whose radius bears S02°39'27"E, through a central angle of 12°26'54"; 2520.84 feet to a point on the West line of Section 6 and a point of intersection with a non-tangent curve; thence along the West line N00°09'05"W, 1078.18 feet to the TRUE POINT OF BEGINNING and the end of this line description;

Township 1 North, Range 3 West of the Gila and Salt River Base and Meridian, Maricopa County,  
Arizona

The Northeast Quarter of Section 1;



**Western Maricopa County, Arizona**

(Name of Service Area)

**Water Service**

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ISSUED

Month

Day

Year

EFFECTIVE

Month

Day

Year

ISSUED BY Ray L. Jones Vice President and General Manager

15626 N. Del Webb Blvd., Sun City, Arizona

Western Maricopa County, Arizona  
(Name of Service Area)

## Water Service

### Nonpotable Water Service – Unrestricted Source NP-1

#### Availability

Available to large turf and landscape irrigators for use on golf courses, lakes, school grounds, park lands, right of ways, and similar large open spaces. Also available to land developers and their contractors and sub-contractors for use on large construction projects which require significant amounts of dirt moving, grading, trenching or other water intensive construction activities.

#### Rates

All Consumption	Rate per 1,000 gallons	\$0.62
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#### Special Conditions

The water provided under this tariff is untreated groundwater, raw surface water or reclaimed sewage effluent and is not suitable for human consumption or bodily contact. Water provided under this tariff should be used only for irrigation. Water will be made available for construction uses only to the extent it is not needed to serve other classes of customers.

Each customer shall be required to enter into Nonpotable Water Service Agreement with the Company prior to establishment of service in accordance with Rule No.12.

#### Terms & Conditions

Water service provided under this rate schedule is subject to the Company's Rules and Regulations applicable to Water Service and may be subject to the Company's miscellaneous service charges set forth in Rate Schedule MISC –1 and may be subject to the Company's groundwater withdrawal fees set forth in Rate Schedule GW – 1.

All rates in this Schedule shall be subject to their proportionate part of any taxes or other governmental imposts which are assessed directly or indirectly on the basis of revenues derived from service under this Schedule, or on the basis of the service provided or the volume of water produced, purchased or sold.

A 1-1/2% late payment penalty will be applied to account balances not paid within 25 days after the postmark date of the bill in accordance with Rule 8 (H).

ISSUED	Month	Day	Year	EFFECTIVE	Month	Day	Year
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ISSUED BY Ray L. Jones Vice President and General Manager

15626 N. Del Webb Blvd., Sun City, Arizona

## Water Service

### Water Facilities Hook-Up Fee WHU – 1

#### Applicability

Applicable to all new potable water Service Connections within that portion of Company's CC&N known as Whitestone, said area being more particularly described in Decision No. \_\_\_\_\_.

#### Purpose

The purpose of the hook-up fee pursuant to this tariff is to equitably apportion the costs of constructing additional facilities to provide water production, treatment, transmission, storage, pressure and flow among all new Service Connections.

#### Definitions

Unless the context otherwise requires, the definitions set forth in Rule No. 1 shall apply in interpreting this tariff schedule. The following additional definitions apply to this tariff schedule only.

"Main Extension Agreement" means any agreement whereby an Applicant agrees to advance the costs of the installation of on-site water facilities (including distribution mains, valves, fittings, hydrants and other improvements in accordance with Rule No. 5) to the Company to serve new service connections, or install on-site water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Arizona Corporation Commission (same as line extension agreement).

"Off-Site Facilities" means treatment facilities, wells, transmission lines, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Off-Site facilities may also include booster pumps, pressure tanks, distribution mains and related appurtenances necessary for proper operation, if these facilities are not for the exclusive use of the applicant but rather those facilities will provide regional or system wide benefits.

"Service Connection" means and includes all service connections for residential, commercial, industrial, or other uses, regardless of meter size.

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Month Day Year Month Day Year

ISSUED BY Ray L. Jones Vice President and General Manager

15626 N. Del Webb Blvd., Sun City, Arizona

## Water Service

### Rates

Each new service connection shall pay the Water Facilities Hook-up Fee indicated below based on the meter size to be installed:

Water Facilities Hook-Up Fee		
Meter Size	Factor	Total Hook-Up Fee
5/8" x 3/4"	1.0	\$1,150.00
3/4"	1.5	\$1,725.00
1"	2.5	\$2,875.00
1 1/2"	5.0	\$5,750.00
2"	8.0	\$9,200.00
3"	16.0	\$18,400.00
4"	25.0	\$28,750.00
6"	50.0	\$57,500.00
8"	100.0	\$115,000.00

### Special Conditions

- Assessment of One Time Hook-Up Charge:** The hook-up fee may be assessed only once per Service Connection, or residential lot within a platted subdivision (similar to meter and service line installation charges). However, this provision does not exempt from the hook-up fee, any newly created parcel(s) which are the result of further subdivision of a lot or land parcel and which do not have a Service Connection.
- Time of Payment:**
  - In the event that the Applicant is required to enter into a Main Extension Agreement payment of the charges required hereunder shall be made by the Applicant when operational acceptance is issued for the on-site water facilities constructed to serve the improvement.
  - In the event that the Applicant is not required to enter into a main extension agreement, the charges hereunder shall be due and payable at the time a meter is requested to be set for service to the property.
- Failure to Pay Charges; Delinquent Payments:** Under no circumstances will the Company set a meter or otherwise allow service to be established if the Applicant has not paid in full all charges as provided by this Water Facilities Hook-Up Fee tariff.
- Off-Site Hook-Up Fees In Addition to Other Charges:** The off-site hook-up fees shall be in addition to any costs associated with a main extension agreement for on-site facilities, and are in addition to the amounts to be paid pursuant to charges authorized under other tariffs.

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Month Day Year Month Day Year

ISSUED BY Ray L. Jones Vice President and General Manager

15626 N. Del Webb Blvd., Sun City, Arizona



Decision No. \_\_\_\_\_

## Water Service

4. Use of and accounting for Water Facilities Hook-up Fee: Proceeds from the hook-up fee shall be accounted for as a contribution in aid of construction. As such, they will be treated as an off-set to the cost of Off-Site Facilities included in rate base in any future ratemaking proceeding. The Company shall maintain on its books an accounting of the Water Facilities Hook-up Fees collected pursuant to this tariff and an accounting of the Off-Site Facilities constructed subsequent to adoption of this tariff.
5. Disposition of Excess Funds: After all necessary and desirable Off-Site Facilities are constructed or the Water Facilities Hook-Up Fee has been terminated by order of the Arizona Corporation Commission (Commission), any Water Facilities Hook-Up Fees collected in excess of the total amount expended by the Company for construction of Off-Site Facilities shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

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Month Day Year Month Day Year

ISSUED BY Ray L. Jones Vice President and General Manager

15626 N. Del Webb Blvd., Sun City, Arizona

**Citizens Water Services Company  
of Arizona**

(Name of Company)

CANCELING

1<sup>st</sup> Revised

Original

SHEET NO.

TOC

SHEET NO.

TOC

**Western Maricopa County, Arizona**

(Name of Service Area)

## **Sewer Service**

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Year

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15626 N. Del Webb Blvd., Sun City, Arizona



Decision No. \_\_\_\_\_

## Sewer Service

### Sewer Facilities Hook-Up Fee SHU – 1

#### Applicability

Applicable to all new sewer Service Connections within that portion of Company's CC&N known as Whitestone, said area being more particularly described in Decision No. \_\_\_\_\_.

#### Purpose

The purpose of the hook-up fee pursuant to this tariff is to equitably apportion the costs of constructing additional facilities to provide wastewater treatment, effluent disposal and sludge disposal among all new Service Connections.

#### Definitions

Unless the context otherwise requires, the definitions set forth in Rule No. 1 shall apply in interpreting this tariff schedule. The following additional definitions apply to this tariff schedule only.

"Main Extension Agreement" means any agreement whereby an Applicant agrees to advance the costs of the installation of on-site wastewater facilities (including collection mains, manholes, lift stations, force mains and other improvements in accordance with Rule No. 5) to the Company to serve new service connections, or install on-site wastewater facilities to serve new service connections and transfer ownership of such wastewater facilities to the Company (same as line extension agreement).

"Off-Site Facilities" means wastewater treatment facilities, effluent disposal equipment, sludge disposal equipment and related appurtenances necessary for proper operation, including engineering and design costs. Off-Site facilities may also include lift stations, force mains collection mains and related appurtenances necessary for proper operation, if these facilities are not for the exclusive use of the applicant but rather those facilities will provide regional or system wide benefits.

"Service Connection" means and includes all service connections for residential, commercial, industrial, or other uses

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**Western Maricopa County, Arizona**

(Name of Service Area)

**Sewer Service**

**Rates**

Fee per Equivalent Residential Unit \$750.00

Equivalent Residential Units for various facilities are determined under the following schedule:

<u>Type of Improvement</u>	<u>Associated ERU</u>
Single Family Home	1.00
Apartment Units	0.50
Commercial Units (per acre)	4.00
Resorts (per room)	0.50
Parks acreage, Golf Courses acreage, and Right-of-Way landscaping Acreage	0.00

**Special Conditions**

1. **Assessment of One Time Hook-Up Charge:** The hook-up fee may be assessed only once per Service Connection, or residential lot within a platted subdivision (similar to service line installation charges). However, this provision does not exempt from the hook-up fee, any newly created parcel(s) which are the result of further subdivision of a lot or land parcel and which do not have a Service Connection.
2. **Time of Payment:**
  - (a) In the event that the Applicant is required to enter into a Main Extension Agreement, payment of the charges required hereunder shall be made by the Applicant when operational acceptance is issued for the on-site wastewater facilities constructed to serve the improvement.
  - (b) In the event that the Applicant is not required to enter into a main extension agreement, the charges hereunder shall be due and payable at the time wastewater service is requested for the property.
2. **Failure to Pay Charges; Delinquent Payments:** Under no circumstances will the Company allow wastewater service to be established if the Applicant has not paid in full all charges as provided by this Sewer Facilities Hook-Up Fee tariff.
3. **Off-Site Hook-Up Fees In Addition to Other Charges:** The off-site hook-up fees shall be in addition to any costs associated with a main extension agreement for on-site facilities, and are in addition to the amounts to be paid pursuant to charges authorized under other tariffs.

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15626 N. Del Webb Blvd., Sun City, Arizona



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## Sewer Service

4. Use of and accounting for Sewer Facilities Hook-up Fee: Proceeds from the hook-up fee shall be accounted for as a contribution in aid of construction. As such, they will be treated as an off-set to the cost of Off-Site Facilities included in rate base in any future ratemaking proceeding. The Company shall maintain on its books an accounting of the Sewer Facilities Hook-up Fees collected pursuant to this tariff and an accounting of the Off-Site Facilities constructed subsequent to adoption of this tariff.
5. Disposition of Excess Funds: After all necessary and desirable Off-Site Facilities are constructed or the Sewer Facilities Hook-Up Fee has been terminated by order of the Arizona Corporation Commission (Commission), any Sewer Facilities Hook-Up Fees collected in excess of the total amount expended by the Company for construction of Off-Site Facilities shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.

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15626 N. Del Webb Blvd., Sun City, Arizona

## Rules and Regulations Applicable to Water Service

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15626 N. Del Webb Blvd., Sun City, Arizona

Agua Fria Division of Citizens  
Communications Company

(Name of Company)

A.C.C.

CANCELING

SHEET NO.

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SHEET NO.

Western Maricopa County, Arizona

(Name of Service Area)

## Rule No. 11

Reserved

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15626 N. Del Webb Blvd., Sun City, Arizona

**CITIZENS**  
water resources



Decision No. \_\_\_\_\_

Agua Fria Division of Citizens  
Communications Company

(Name of Company)

A.C.C.

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## Rule No. 11

Reserved

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Decision No. \_\_\_\_\_

Western Maricopa County, Arizona  
(Name of Service Area)

## Rule No. 12

### Nonpotable Water Use

#### A. PURPOSE AND POLICY

This Rule sets forth uniform requirements for use of Nonpotable Water and establishes a Nonpotable Water Service Agreement requirement. Implementation of this Rule is consistent with the Clean Water Act and the Arizona regulations pertaining to reuse of wastewater contained in Arizona Administrative Code (A.A.C.) R18-9-702, *et seq.* This Rule is implemented by Company in order to comply with applicable regulations and promote consistent application of Nonpotable Water, including treated wastewater, among its customers. This Rule supplements previous Rules by adding additional requirements for use of nonpotable water in addition to those required by previous Rules. The provisions of Rule 6, however, shall not apply to Nonpotable Water service. The provision of this Rule 12 will instead govern.

#### B. DEFINITIONS

The following definitions are supplemental to Rule No. 1.

1. **Nonpotable Water:** Water that contains objectionable pollution, contamination, minerals, or infectious agents and is considered unsatisfactory for human consumption. Nonpotable Water may include any combination of treated sewage effluent, untreated surface water supplies or untreated groundwater.
2. **Nonpotable Water Service Agreement:** A contract for Nonpotable Water service, substantially in the form attached to this Rule as Appendix A.
3. **Reuse Facility:** Any establishment or land owned, operated or otherwise controlled by a Customer using Nonpotable Water for irrigation, construction or other uses.

#### C. ESTABLISHMENT OF NONPOTABLE SERVICE

1. In addition to the requirements of Rule 2, an applicant for Nonpotable Water service shall enter into a Nonpotable Water Service Agreement with the Company prior to the establishment of service.
2. In addition to the provisions of Rule 2, an applicant may be refused service for failure to enter into a Nonpotable Water Service Agreement with the Company.

#### D. COMPANY RESPONSIBILITY

1. The Company shall deliver Nonpotable Water to the Point(s) Of Delivery specified in the Nonpotable Water Service Agreement, except that the Company may, at its option, refuse service until the Customer has obtained all required permits and/or inspections indicating that the Customer's facilities comply with local construction and safety standards.

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15626 N. Del Webb Blvd., Sun City, Arizona

## Rule No. 12

2. The Company shall provide Nonpotable Water that meets the standard(s) contained in A.A.C. R18-9-703 for the reuse(s) specified in the Nonpotable Water Service Agreement, in accordance with applicable Arizona Department of Environmental Quality Wastewater Reuse Permit.

### E. CUSTOMER'S RESPONSIBILITY

1. Each Customer shall maintain all facilities on the Customer's side of the Point Of Delivery in a safe and efficient manner and in accordance with Arizona Department of Environmental Quality rules and the prescribed specifications of the Company.
2. Each Customer shall exercise reasonable care to prevent loss or damage to any Company property installed in or on the Customer's premises, excluding ordinary wear and tear. The Customer shall be responsible for loss of or damage to Company property on the Customer's premises arising from neglect, carelessness, or misuse and shall reimburse the Company for the cost of necessary repairs and replacements.
3. Each Customer shall pay for any equipment damaged as a result of unauthorized breaking of seals, interfering, tampering, or bypassing the Company's equipment. In cases of tampering, interfering with the proper working of the Company's equipment, interfering with theft, or service diversion, the Customer shall be subject to immediate discontinuance of service. The Company shall be entitled to collect from the Customer at the appropriate rate for all consumption not recorded as the result of such tampering or other theft of service, as well as any additional expenses incurred by the Company for property damage, investigation of the illegal act, and all legal expenses and court costs if necessary.
4. The Customer shall notify the Company of any failure identified in the Company's equipment.
5. Nonpotable Water furnished by the Company shall be used only on the Customer's premises and shall not be resold or provided to any other person.
6. The Customer agrees, when accepting service, that no one except Company employees or persons authorized by the Company shall be allowed to alter, operate, remove, replace or make any connection to any Company property or equipment installed on the Customer's property.

### F. CONTINUITY OF SERVICE

1. The Company shall make reasonable efforts to supply a satisfactory level of service. However, the Company shall not be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from:

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ISSUED BY Ray L. Jones Vice President and General Manager

15626 N. Del Webb Blvd., Sun City, Arizona

## Rule No. 12

- a. Any cause against which the Company could not have reasonably foreseen or made provision for, *i.e.*, force majeure;
  - b. Intentional service interruptions to make repairs or perform routine maintenance
2. Deliveries of Nonpotable Water under a restricted source tariff are subject to interruption, curtailment, or scheduling as necessary to match demands with available Nonpotable Water supplies. With respect to customers receiving service under a restricted source tariff, the Company shall not be responsible for any damage or claim of damage attributable to any interruption or discontinuation of service resulting from interruptions, curtailments, or scheduling as necessary to match demands with available Nonpotable Water supplies.

### G. SERVICE INTERRUPTIONS

1. In the event of a service interruption, the Company shall make reasonable efforts to reestablish service within the shortest possible time.
2. The Company shall make reasonable provision to address emergencies resulting from failure of service, and shall issue instructions to its employees covering procedures to be followed in the event of an emergency to prevent or mitigate interruption or impairment of service.

### H. MANAGEMENT PRACTICES

The Customer shall ensure that the following management practices are observed at the Reuse Facility:

1. All irrigation, construction and other uses shall be considered reuse of wastewater and shall comply with A.A.C. R18-9-703C. The Reuse Facility shall maintain an operations and maintenance manual that contains sufficient information to assure compliance with this Rule.
2. Signage and other public information practices shall comply with A.A.C. R18-9-703C.
3. All Customer's Reuse Facility operators must be made aware of and understand the requirements of this Rule and the Nonpotable Water Service Agreement.
4. No full or partial body contact shall be allowed in Nonpotable Water. Accidental contact with Nonpotable Water is not considered to be a violation of this Rule.
5. A color coding system shall be used on all new piping and outlets to meet standards set forth by the Maricopa County Health Department and A.A.C. R18-9-703, for distinguishing potable water supply lines from Nonpotable Water lines. Plans for consideration of new or modified facilities to deliver Nonpotable Water to the Reuse Facilities shall be approved and operated pursuant to applicable regulations. Schematic plans for the location of sprinkler heads, valves, back-flow devices, and any other ancillary equipment shall be maintained in accordance with the Company's standards.

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15626 N. Del Webb Blvd., Sun City, Arizona

## Rule No. 12

6. The Customer shall apply Nonpotable Water at times to minimize contact with pedestrians.
7. The Customer shall utilize sprinkler head patterns to minimize overspray and runoff.
8. The Customer shall not apply Nonpotable Water in excess of consumptive use rates, in order to prevent ponding and runoff.
9. The Customer shall notify Arizona Department of Environmental Quality within five (5) working days of an unauthorized discharge to the land surface or to the aquifer. This notice shall include:
  - a. A description of the discharge
  - b. A description of the cause of the discharge
  - c. The location of the discharge
  - d. A plan of work which addresses remedial or mitigative action

A contingency plan must be submitted to Arizona Department of Environmental Quality for review within 30 days of the violation.

### I. COMPANY ACCESS TO REUSE FACILITY

The Customer shall provide the Company with free access to the Reuse Facility in order to monitor compliance with the requirements of this Rule and the Nonpotable Water Service Agreement. The Company may, in furtherance of the stated purpose and policy of this Rule:

1. Enter the Customer's premises at reasonable times
2. Inspect generally for compliance
3. Take independent samples
4. Inspect and copy records

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Month Day Year Month Day Year

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15626 N. Del Webb Blvd., Sun City, Arizona